

Message Text

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PAGE 01 STOCKH 00171 131658Z

67

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 IO-11 L-03 H-02 PA-01 PRS-01 /115 W

----- 076240

R 131212Z JAN 76

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 6527

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY SEOUL

USLO PEKING

C O N F I D E N T I A L STOCKHOLM 0171

E.O. 11652: GDS

TAGS: EFIN, ETRD, NK, SW

SUBJECT: NORTH KOREAN DEBTS

REF: STATE 005077

1. BEGIN SUMMARY. SWEDEN WILL BEGIN DEBT RESCHEDULING

TALKS ON JANUARY 13 IN STOCKHOLM WITH A THREE MEMBER

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PAGE 02 STOCKH 00171 131658Z

NORTH KOREAN DELEGATION. ACCORDING TO MANAGING-DIRECTOR
OF SWEDISH EXPORT CREDIT GUARANTEE BOARD, SWEDEN WILL TRY

TO WORK OUT A BILATERAL ARRANGEMENT HOPEFULLY ON A COMMERCIAL BASIS. SWEDEN IS NOT AWARE OF ANY MULTILATERAL DEBT RESCHEDULING EFFORTS BEING CONTEMPLATED AT THIS TIME. END SUMMARY.

2. ON JANUARY 12, MANAGING-DIRECTOR OF SWEDISH EXPORT CREDIT GUARANTEE BOARD AXEL WALLEN SUMMARIZED TO EMBOFF STATUS OF SWEDISH DEBT RE NEGOTIATION EFFORTS WITH NORTH KOREANS. WALLEN SAID HE HAD KEPT THE MANAGEMENT COMMITTEE MEMBERS OF THE BERNE UNION FULLY INFORMED OF SWEDISH EFFORTS TO RESCHEDULE NORTH KOREAN DEBTS. HE SAID HIS BOARD WAS EXPECTING A THREE MEMBER NORTH KOREAN DELEGATION TO ARRIVE IN SWEDEN, TO BEGIN TALKS ON JANUARY 13. THE NORTH KOREAN DELEGATION WILL BE HEADED BY VICE PRESIDENT (KIM) OF THE FOREIGN TRADE BANK. FOR THE SWEDISH SIDE, A REPRESENTATIVE OF THE SWEDISH BANKS AND ONE FROM THE INDUSTRY, TOGETHER WITH HIMSELF, WILL MAKE UP THE DELEGATION. THE HOPED FOR BASIS OF TALKS WITH NORTH KOREANS, HE SAID, WAS FROM THE SWEDISH POINT OF VIEW THE FOLLOWING: (A) DELAY COMMENCEMENT OF REPAYMENTS DUE 1975 AND 1976 TO THE FOLLOWING YEAR, I.E., A TWO YEAR MORATORIUM; (B) NORTH KOREANS TO PAY A PENALTY INTEREST ON OVERDUE AMOUNTS AT 9 PERCENT; (C) NORTH KOREANS TO PAY BEFORE NEW AGREEMENT IS SIGNED, FULL AMOUNTS DUE ON PRE-PAYMENT CHARGES, THOSE AMOUNTS DUE RELATING TO PAYMENTS AGAINST DOCUMENTS, AND SHORT TERM CREDITS (ESTIMATED TOGETHER TOTAL 20-25 MILLION SWEDISH KRONORS). WALLEN ESTIMATED TOTAL NORTH KOREAN DEBTS TO SWEDEN AT ABOUT \$150 MILLION OF WHICH ABOUT \$35 MILLION WILL BECOME OVERDUE BY END OF 1976. WALLEN SAID NORTH KOREANS WERE LOOKING FOR A DELAY OF FOUR YEARS IN COMMENCING REPAYMENTS AND THEY WERE HOPING ALSO TO REDUCE INTEREST RATES ON DEBT. SOURCE RECOGNIZED THE USG CONCERN OVER A POSSIBLE MULTILATERAL DEBT RESCHEDULING EXERCISE IN WHICH THERE IS NO OPPORTUNITY TO REVIEW IN DETAIL THE ACTUAL ECONOMIC SITUATION IN THE DEBTOR COUNTRY AND THE POSSIBLE UNDESIRABLE PRECEDENT THAT COULD BE CREATED IF LOW INTEREST CONCESSIONARY REPAYMENT TERMS WERE AGREED TO.

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PAGE 03 STOCKH 00171 131658Z

3. WALLEN SAID HE HAD TALKED WITH HIS FRENCH COUNTERPART ON JANUARY 12 AND LEARNED THAT NORTH KOREANS DID NOT SHOW UP AT THE SCHEDULED JANUARY 6 MEETING AND THAT THE FRENCH HAD RESCHEDULED THEIR TALKS FOR FEBRUARY. ACCORDING TO SOURCE, THE FRENCH, GERMANS AND THE SWEDES ARE COUNTRIES WITH LARGEST NORTH KOREAN DEBT PROBLEMS. ALTHOUGH THERE ARE NO THOUGHTS GIVEN AT THIS TIME TO A MULTILATERAL DEBT RESCHEDULING EXERCISE WITH NORTH KOREANS, HE DID NOT WISH TO RULE THIS OUT SOME TIME IN THE FUTURE. HE THOUGHT THE NORTH KOREANS, WHEN THEY ASSUMED THEIR DEBTS,

WERE NOT TOO AWARE OF THEIR ECONOMIC POSITION AND, IF THEY
HAD BEEN A BIT MORE ASTUTE, THEY COULD HAVE OBTAINED A
SEVEN YEAR CREDIT RATHER THAN FIVE YEARS ON SOME PRODUCTS,
NOTING THAT BERNE UNION TERMS WOULD HAVE PERMITTED THIS.

4. WALLEN AGREED TO MEET WITH EMBOFF SOMETIME NEXT WEEK
TO APPRISE EMBASSY OF RESULTS OF TALKS WITH NORTH
KOREANS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT DEBTS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STOCKH00171
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760012-0884
From: STOCKHOLM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760161/aaaacbwq.tel
Line Count: 124
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 STATE 5077
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 25 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 MAR 2004 by izenbei0>; APPROVED <03 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NORTH KOREAN DEBTS
TAGS: EFIN, ETRD, KN, SW
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006